

**CITY OF OSKALOOSA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**June 30, 2012**

# CITY OF OSKALOOSA

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**CITY OF OSKALOOSA**

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## CITY OF OSKALOOSA

### OFFICIALS

June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Krutzfeldt. ....	Mayor. ....	Jan 2014
Pamela Blomgren.....	Council Member.....	Jul 1, 2011 - Dec 31, 2011
Tom Jimenez . ....	Council Member.....	Jan 2016
Aaron Ver Steeg.....	Council Member.....	Jan 2014
Lori Smith. ....	Council Member.....	Jul 1, 2011 - Dec 31, 2011
Doug Yates.....	Council Member.....	Jan 2014
Scottie Moore.....	Council Member.....	Jan 2014
Tom Walling. ....	Council Member.....	Jan 2014
Jason Van Zetten. ....	Council Member.....	(Started Jan 1, 2012) Jan 2016
Joe Caligiuri.....	Council Member.....	(Started Jan 1, 2012) Jan 2016
Michael Schrock, Jr. ....	City Manager . ....	Indefinite
Amy Miller.....	City Clerk - Finance Director.....	Indefinite
David Dixon.....	City Attorney. ....	Indefinite
Akhilesh Pal.....	Public Works Director	
David Neubert. ....	Waste Water Director	
Mark Neff.....	Fire Chief	
John McGee.....	Police Chief	
Wanda Gardner. ....	Library Director	



## MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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West Des Moines, Iowa 50266

(515)-223-4841

FAX: (515)-223-0851

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oskaloosa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Oskaloosa, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to and do not present fairly, respective cash basis financial position for the year ended as of June 30, 2012, and respective changes in cash basis financial position of the City of Oskaloosa, in conformity with the basis of accounting described in Note 1. Separate audit reports are issued by the respective component units.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Oskaloosa, as of June 30, 2012 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012 on our consideration of the City of Oskaloosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Oskaloosa's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oskaloosa's primary government financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 38 through 40 are presented for purposes of additional analysis and are not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The information identified in the table of contents as miscellaneous statistical data is presented for purposes of additional analysis and is not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on it.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 10, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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It is an honor to present to you the financial activities of the primary government of the City of Oskaloosa, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the primary government of the City of Oskaloosa, Iowa for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- The cash and investments of the City at the close of the most recent fiscal year are \$10,510,154 compared to \$8,970,488 as of June 30, 2011.
- The government's total cash and investments increased by \$1,539,666.
- The City's total long-term debt, excluding compensated absences, decreased by approximately \$1,387,000 during the fiscal year ended June 30, 2012.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City of Oskaloosa's primary government financial statements and provides an analytical overview of the City's financial activities. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

**Government-wide financial statements** - The government-wide financial statement is designed to provide readers with a broad overview of the City's finances. The statement of activities and changes in cash and investment balances presents information showing how the City's cash and investment balance changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, community and economic development, capital projects and debt service. The business type activities of the City include the sanitary sewer, airport, Edmundson Golf Course, stormwater and RACI Main Street loans.

The government-wide financial statements include only the primary government of the City. (See Note 1.B)

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. Governmental fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The City maintains numerous governmental funds. Information is presented separately in the statement of cash receipts, cash disbursements and changes in cash and investment balances for each major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds** - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statement. The City maintains five enterprise funds. The proprietary fund financial statements provide separate information for the Sanitary Sewer Fund, as this fund is considered to be a major fund of the City. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non major enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate internally among the City's various functions. The City maintains three internal service funds.

**Notes to financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and capital projects are presented following the notes to financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Table 1 highlights the City's receipts and disbursements for the fiscal years ended June 30, 2012 and 2011.

Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as charges for services and sales, operating and capital grants and contributions. General receipts include taxes and other unrestricted revenue sources.

The City's cash balance for governmental activities increased from a year ago from \$7.1 million to \$8.2 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

The City's total receipts for governmental activities increased by 16.0 percent or \$1.38 million. The total disbursements of governmental activities programs and services increased by \$.91 million or 11.5 percent. The significant increase in receipts was primarily the result of receipts from the school district for Local Option Sales Tax (LOST) and Secure an Advanced Vision for Education (SAVE) reimbursements. The increase in disbursements was primarily the result of increased capital project payments for the Trolley Place.



Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances  
(Expressed in Thousands)  
Year ended June 30, 2012

	Governmental Activities 2012	Business Type Activities 2012	Total 2012
Receipts:			
Program receipts:			
Charges for service	\$ 712	\$ 1,930	\$ 2,642
Operating grants, contributions and restricted interest	1,501	243	1,744
Capital grants, contributions and restricted interest	901	359	1,260
General receipts:			
Property taxes	4,515	-	4,515
Other taxes	1,606	-	1,606
Investment earnings	94	2	96
Other general receipts	695	178	873
Total receipts	<u>10,024</u>	<u>2,712</u>	<u>12,736</u>
Disbursements:			
Public safety	2,581	-	2,581
Public works	1,165	-	1,165
Culture and recreation	981	-	981
Community and economic development	1,275	-	1,275
General government	714	-	714
Debt service	1,024	-	1,024
Capital projects	1,046	-	1,046
Sewer	-	1,746	1,746
Airport	-	486	486
Edmundson Golf Course	-	98	98
Storm water	-	80	80
Total disbursements	<u>8,786</u>	<u>2,410</u>	<u>11,196</u>
Change in cash and investment balances before transfers	1,238	302	1,540
Transfers, net	<u>(83)</u>	<u>83</u>	<u>-</u>
Change in cash and investment balances	1,155	385	1,540
Cash and investment balances, beginning	<u>7,086</u>	<u>1,884</u>	<u>8,970</u>
Cash and investment balances, ending	<u>\$ 8,241</u>	<u>\$ 2,269</u>	<u>\$ 10,510</u>

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances  
(Expressed in Thousands)  
Year ended June 30, 2011

	Governmental Activities 2011	Business Type Activities 2011	Total 2011
Receipts:			
Program receipts:			
Charges for service	\$ 842	\$ 1,957	\$ 2,799
Operating grants, contributions and restricted interest	1,672	242	1,914
Capital grants, contributions and restricted interest	334	9	343
General receipts:			
Property taxes	4,205	-	4,205
Other taxes	1,412	-	1,412
Investment earnings	88	4	92
Other general receipts	87	10	97
Total receipts	<u>8,640</u>	<u>2,222</u>	<u>10,862</u>
Disbursements:			
Public safety	2,465	-	2,465
Public works	1,103	-	1,103
Culture and recreation	1,052	-	1,052
Community and economic development	1,251	-	1,251
General government	661	-	661
Debt service	1,143	-	1,143
Capital projects	206	-	206
Sewer	-	1,828	1,828
Airport	-	226	226
Edmundson Golf Course	-	249	249
Storm water	-	184	184
Total disbursements	<u>7,881</u>	<u>2,487</u>	<u>10,368</u>
Change in cash and investment balances before transfers	759	(265)	494
Transfers, net	<u>(301)</u>	<u>301</u>	<u>-</u>
Change in cash and investment balances	458	36	494
Cash and investment balances, beginning	<u>6,628</u>	<u>1,848</u>	<u>8,476</u>
Cash and investment balances, ending	<u>\$ 7,086</u>	<u>\$ 1,884</u>	<u>\$ 8,970</u>

The City increased the total property tax rates in 2012 by 4.3 percent. The City's tax receipts from the tax levy increased by approximately \$321,000 in 2012. The increase was due to an increase in the total property valuations and property tax rates.

The City kept the total property tax rates the same in 2011. The City's tax receipts from the tax levy increased by approximately \$191,000 in 2011. The increase was due to an increase in the total property valuations .

Table 2 below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 2 - Governmental Activities

Programs	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General government	\$ 714,109	\$ 353,151	\$ 661,337	\$ 291,180
Public safety	2,580,509	2,349,335	2,464,926	2,181,648
Public works	1,164,633	55,335	1,102,474	(61,788)
Culture and recreation	980,970	758,031	1,052,142	774,262
Community and economic development	1,275,055	1,000,895	1,251,184	1,070,201
Debt service	1,024,486	1,010,226	1,142,933	905,383
Capital projects	1,045,957	145,118	205,535	(128,508)
Total	<u>\$ 8,785,719</u>	<u>\$ 5,672,091</u>	<u>\$ 7,880,531</u>	<u>\$ 5,032,378</u>

Net cost of services is 65% and 64% of total cost of services in 2012 and 2011, respectively. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

**Business type activities** - Business type activities increased the City of Oskaloosa's cash and investments by \$385,206. Key elements of this increase are as follows:

- The Sanitary Sewer Fund recorded a decrease of \$1,332 in cash and investments for the year due to reduced transfers from capital project funds.
- Total business type activities' receipts for the fiscal year was approximately \$2.71 million compared to \$2.22 million for 2011. For 2012, all but approximately \$539,500 of this revenue was generated for specific business type activity expenses. This increase was due primarily to the sale of Golf Course Equipment and a grant received for improvements to the airport.
- The Airport activity recorded an increase of \$89,130 in cash and investments for the year. The increase is due to increased land rent and grant proceeds received for expenses incurred in the prior year.
- The Edmundson Golf Course activity recorded an increase of \$137,463 primarily due to the sale of equipment.
- The Storm Water Fund recorded an increase of \$147,447. The increase was up from the previous year due to the decrease in capital expenditures.
- The RACI Main Street Loans Fund recorded an increase in cash and investments of \$48 for the year due to no operating costs this year.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. On the following page are the major reasons for the changes in cash and investment balances from the prior year for the City's major funds.

### **Governmental Funds**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash and investment balance of the General Fund was \$3,141,796, an increase of \$1,089,175 from the prior year. This increase was primarily due to LOST and SAVE money received from the school district.

The Road Use Tax Fund cash and investment balance increased by \$66,187 to \$720,750 during the fiscal year. This Fund's receipts increased due to increased road use tax received.

The Library Maintenance Fund was established by the Local Option Sales and Service Tax Referendum to maintain the Library in future years. The funds are from the Local Option Sales and Service Tax with only interest proceeds from those funds to be expended unless otherwise authorized by the City Council. At the end of the fiscal year, the cash and investment balance was \$1,151,256, an increase of \$1,162 due to decreased building repairs.

The Local Option Sales and Service Tax Revenue Funds are disbursed entirely each year and therefore had no cash and investment balance in the current or prior year.

The Debt Service Fund had a decrease of \$13,820 for an ending cash and investment balance of \$257,739. The decrease was due to decreased property tax receipts.

The Employee Benefits Fund had an increase of \$98,597 for an ending cash and investment balance of \$117,541. This increase was due to increased property tax receipts.

The Capital Projects Funds had a decrease of \$190,214 for an ending cash and investment balance of \$1,205,552 due to increased work on various projects and use of the 2008 G.O. bond issue.

### **Proprietary Funds**

The cash and investment balance of the Sanitary Sewer Fund decreased \$1,332 to \$1,468,136, due primarily to reduced transfers from capital project funds.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment resulted in an increase in operating disbursements related to various projects. The City had sufficient cash and investment balances and revenue to cover the budget amendment.

The City's receipts were \$42,919 less than budgeted. This was primarily due to the City receiving less in federal grants than anticipated on capital projects, even after the amendments.

Total disbursements were \$2,043,902 less than the amended budget. Actual disbursements for the capital projects, public works and business type activities functions were \$621,747, \$737,130 and \$247,462, respectively, less than the amended budget. This was primarily due to the City's capital projects not proceeding as anticipated, and disbursements for sanitary sewer systems and structures running less than were budgeted.

## DEBT ADMINISTRATION

At year-end, the City had approximately \$8,538,000 in bonds and other long-term debt compared to approximately \$9,925,000 last year as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)		
	2012	2011
General obligation bonds	\$ 1,240	\$ 1,415
General obligation notes	3,600	4,260
Revenue bonds and other notes	3,698	4,250
Total	<u>\$ 8,538</u>	<u>\$ 9,925</u>

Debt decreased as a result of scheduled bond payments.

The City's general obligation bond rating has been A2 since 1999. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,840,000 is well below the City's \$24.7 million debt limit.

More detailed information about the City's long-term liabilities is presented in Note 4 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget. One of those factors is the economy. Unemployment in Mahaska County as of June, 2012 stood at 5.3 percent versus 6.6 percent in 2011. This compares with the state's unemployment rate of 5.1 percent.

These indicators were taken into account when adopting the budget for 2013. Budgeted intergovernmental revenues are expected to decrease approximately \$656,000 and capital project disbursements are expected to increase approximately \$75,000. If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$1,457,000 by the close of 2013.

## REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Amy Miller, Finance Director, 220 South Market Street, Oskaloosa, Iowa 52577.

**City of Oskaloosa**

## **Basic Financial Statements**

**CITY OF OSKALOOSA**

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 2,580,509	\$ 59,945	\$ 171,229	\$ -
Public works	1,164,633	3,878	1,105,420	-
Culture and recreation	980,970	109,924	113,015	-
Community and economic development	1,275,055	170,353	103,807	-
General government	714,109	353,477	7,481	-
Debt service	1,024,486	14,260	-	-
Capital projects	1,045,957	-	-	900,839
Total governmental activities	<u>8,785,719</u>	<u>711,837</u>	<u>1,500,952</u>	<u>900,839</u>
Business type activities:				
Sanitary sewer	1,745,704	1,664,880	4,361	-
Other	664,132	264,778	238,790	358,990
Total business type activities	<u>2,409,836</u>	<u>1,929,658</u>	<u>243,151</u>	<u>358,990</u>
<b>Total</b>	<u><u>\$11,195,555</u></u>	<u><u>\$2,641,495</u></u>	<u><u>\$1,744,103</u></u>	<u><u>\$1,259,829</u></u>
General receipts and transfers:				
Property taxes levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Other taxes				
Unrestricted investment earnings				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
<b>Change in cash basis net assets</b>				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (2,349,335)	\$ -	\$ (2,349,335)
(55,335)	-	(55,335)
(758,031)	-	(758,031)
(1,000,895)	-	(1,000,895)
(353,151)	-	(353,151)
(1,010,226)	-	(1,010,226)
(145,118)	-	(145,118)
(5,672,091)	-	(5,672,091)
-	(76,463)	(76,463)
-	198,426	198,426
-	121,963	121,963
(5,672,091)	121,963	(5,550,128)
3,745,311	-	3,745,311
769,230	-	769,230
194,310	-	194,310
1,055,033	-	1,055,033
356,842	-	356,842
93,675	2,468	96,143
684,047	42,445	726,492
10,808	135,625	146,433
(82,705)	82,705	-
6,826,551	263,243	7,089,794
1,154,460	385,206	1,539,666
7,086,518	1,883,970	8,970,488
\$ 8,240,978	\$ 2,269,176	\$10,510,154
\$ 720,750	\$ -	\$ 720,750
3,275	-	3,275
257,739	514,067	771,806
3,346,586	-	3,346,586
3,912,628	1,755,109	5,667,737
\$ 8,240,978	\$ 2,269,176	\$10,510,154

# CITY OF OSKALOOSA

## Statement of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Governmental Funds

As of and for the year ended June 30, 2012

		Special	
	General	Road Use Tax	Library Maintenance
Receipts:			
Property tax	\$2,551,661	\$ -	\$ -
Tax increment financing	-	-	-
Other City tax	85,312	-	-
Licenses and permits	454,865	-	-
Use of money and property	12,969	-	52,122
Intergovernmental	193,762	1,090,515	-
Charges for service	135,781	-	-
Special assessments	-	-	-
Miscellaneous	763,393	-	-
Total receipts	4,197,743	1,090,515	52,122
Disbursements:			
Operating:			
Public safety	2,542,888	-	-
Public works	147,839	1,023,688	-
Culture and recreation	792,061	-	50,960
Community and economic development	63,081	-	-
General government	699,873	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	4,245,742	1,023,688	50,960
Excess (deficiency) of receipts over (under) disbursements	(47,999)	66,827	1,162
Other financing sources (uses):			
Sale of capital assets	303	-	-
Operating transfers in	1,139,274	-	-
Operating transfers out	(2,403)	(640)	-
Total other financing sources (uses)	1,137,174	(640)	-
Net change in cash and investment balances	1,089,175	66,187	1,162
Cash and investment balances, beginning of year	2,052,621	654,563	1,150,094
Cash and investment balances, end of year	\$3,141,796	\$ 720,750	\$ 1,151,256
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Urban renewal purposes	\$ -	\$ -	\$ -
Debt service	-	-	-
Streets	-	720,750	-
Other purposes	-	-	1,151,256
Unassigned	3,141,796	-	-
Total cash basis fund balances	\$3,141,796	\$ 720,750	\$ 1,151,256

See notes to financial statements.

Revenue					
Local Option Sales and Service Tax Revenue	Employee Benefits	Debt Services	Capital Projects	Nonmajor	Total
\$ -	\$ 1,112,525	\$ 769,230	\$ -	\$ 81,125	\$ 4,514,541
-	-	-	-	194,310	194,310
1,055,033	37,305	25,307	-	97,272	1,300,229
-	-	-	-	-	454,865
-	478	5,791	4,216	21,528	97,104
-	-	-	872,644	52,329	2,209,250
-	-	-	-	4,185	139,966
-	-	14,260	1,050	-	15,310
-	-	-	22,929	164,054	950,376
1,055,033	1,150,308	814,588	900,839	614,803	9,875,951
-	-	-	-	37,620	2,580,508
-	-	-	-	4,721	1,176,248
-	-	-	-	137,948	980,969
1,055,033	-	-	-	156,942	1,275,056
-	-	-	-	687	700,560
-	-	1,024,485	-	-	1,024,485
-	-	-	1,045,957	-	1,045,957
1,055,033	-	1,024,485	1,045,957	337,918	8,783,783
-	1,150,308	(209,897)	(145,118)	276,885	1,092,168
-	-	-	2,195	8,309	10,807
-	-	196,077	-	1,965	1,337,316
-	(1,051,711)	-	(47,291)	(319,975)	(1,422,020)
-	(1,051,711)	196,077	(45,096)	(309,701)	(73,897)
-	98,597	(13,820)	(190,214)	(32,816)	1,018,271
-	18,944	271,559	1,395,766	908,328	6,451,875
\$ -	\$ 117,541	\$ 257,739	\$ 1,205,552	\$ 875,512	\$ 7,470,146
\$ -	\$ -	\$ -	\$ -	\$ 3,275	\$ 3,275
-	-	257,739	-	-	257,739
-	-	-	-	-	720,750
-	117,541	-	1,205,552	872,237	3,346,586
-	-	-	-	-	3,141,796
\$ -	\$ 117,541	\$ 257,739	\$ 1,205,552	\$ 875,512	\$ 7,470,146

## CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts,  
Disbursements and Changes in Cash and Investment Balances  
to the Statement of Activities and Net Assets -  
*Governmental Funds*

As of and for the year ended June 30, 2012

**Total governmental funds cash and investment balances (pages 18-19)** \$ 7,470,146

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

770,832

**Cash basis net assets of governmental activities (pages 16-17)** \$ 8,240,978

**Net change in cash and investment balances (pages 18-19)** \$ 1,018,271

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. An allocation of the change in net assets of the Internal Service Fund is reported with governmental activities.

136,189

**Change in cash and investment balance of governmental activities (pages 16-17)** \$ 1,154,460

See notes to financial statements.

## CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and  
Changes in Cash and Investment Balances  
*Proprietary Funds*

As of and for the year ended June 30, 2012

	Enterprise Funds			Internal
	Sanitary			Service Funds
	Sewer	Nonmajor	Total	
Operating receipts:				
Charges for service	\$ 1,659,796	\$ 264,778	\$ 1,924,574	\$ 839,923
Use of money and property	4,362	238,790	243,152	2,428
Special assessments	5,084	-	5,084	-
Miscellaneous	-	-	-	150,093
Total operating receipts	1,669,242	503,568	2,172,810	992,444
Operating disbursements:				
Business type activities	791,048	330,253	1,121,301	-
Non program	-	-	-	845,804
Total operating disbursements	791,048	330,253	1,121,301	845,804
Excess of operating receipts over operating disbursements	878,194	173,315	1,051,509	146,640
Non-operating receipts (disbursements):				
Intergovernmental	-	358,990	358,990	-
Interest on investments	-	2,468	2,468	-
Miscellaneous	9,108	33,337	42,445	-
Sale of equipment	1,150	134,475	135,625	-
Capital projects	(277,175)	(333,879)	(611,054)	-
Debt service	(689,932)	-	(689,932)	-
Net non-operating receipts (disbursements)	(956,849)	195,391	(761,458)	-
Excess (deficiency) of receipts over (under) disbursements	(78,655)	368,706	290,051	146,640
Other financing sources (uses)				
Operating transfers in	77,323	6,303	83,626	2,000
Operating transfers out	-	(921)	(921)	-
Total other financing sources	77,323	5,382	82,705	2,000
Net change in cash and investment balances	(1,332)	374,088	372,756	148,640
Cash and investment balances, beginning of year	1,469,468	426,157	1,895,625	622,988
Cash and investment balances, end of year	\$ 1,468,136	\$ 800,245	\$ 2,268,381	\$ 771,628
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 451,934	\$ -	\$ 451,934	\$ -
Unrestricted	1,016,202	800,245	1,816,447	771,628
Total cash basis fund balances	\$ 1,468,136	\$ 800,245	\$ 2,268,381	\$ 771,628

See notes to financial statements.

## CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts, Disbursements and  
Changes in Cash and Investment Balances to the Statement of Activities and Net Assets  
*Proprietary Funds*

As of and for the year ended June 30, 2012

<b>Total enterprise funds cash and investment balances (page 21)</b>	<b>\$ 2,268,381</b>
--	---------------------

*Amounts reported for business type activities in the statement of activities  
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of assets of the Internal Service Fund are included in the business type activities in the statement of net assets.

795

<b>Cash basis net assets of business type activities (page 16-17)</b>	<b><u>\$ 2,269,176</u></b>
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<b>Net changes in cash and investment balances (page 21)</b>	<b>\$ 372,756</b>
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*Amounts reported for business type activities in the statement of activities  
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits, flex plan and copier usage to individual funds. An allocation of the change in net assets of the Internal Service Fund is reported with business type activities.

12,450

<b>Change in cash basis net assets of business type activities (page 16-17)</b>	<b><u>\$ 385,206</u></b>
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See notes to financial statements.

## **CITY OF OSKALOOSA**

### **Notes to Financial Statements**

June 30, 2012

#### **(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Nature of operations:**

The City of Oskaloosa, Iowa (City), is a political subdivision of the State of Iowa located in Mahaska County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides an airport, golf course and sewer services.

##### **B. Reporting entity:**

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Oskaloosa, Iowa is a municipal corporation and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

The financial statements present only the City of Oskaloosa, Iowa (the primary government). The financial statements do not include the component units of the City. The entities discussed below are component units of the City because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issue separate audited financial statements, can be obtained from their respective administrative offices.

The Municipal Waterworks Utility is a separate legal entity. However, it is financially accountable to the City. The Utility is governed by a three-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Municipal Waterworks issues separate audited cash basis financial statements with a fiscal year-end of June 30, which are available at their administrative office.

The Oskaloosa Municipal Housing Agency (OMHA) is a separate legal entity. However, it is financially accountable to the City. The Agency is governed by a five-member board appointed by the Mayor and subject to the approval by the City Council and its operating budget is subject to the approval of the City Council. The Oskaloosa Municipal Housing Agency issues separate audited financial statements with a fiscal year-end of September 30, which are available at their administrative office. On May 1, 2012 OMHA contracted out all services to another separate agency and is no longer continuing operations.

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2012

#### (1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### B. Reporting entity: - Continued

###### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Emergency 911 Board, Oskaloosa Area Chamber & Development Group, Mahaska Community Recreation Foundation, Joint County - Mahaska Disaster Services & Emergency Planning Administration, Joint Law Enforcement Center Board and Mahaska County Agency on Aging.

##### C. Basis of presentation:

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor government funds.



## **CITY OF OSKALOOSA**

### **Notes to Financial Statements - Continued**

June 30, 2012

#### **(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### **C. Basis of presentation - continued:**

The City reports the following major governmental funds:

The General Fund is the government's general operating fund. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds. The Council has adopted a policy to maintain a minimum of three months of General Fund budgeted expenditures and transfers for the Fund.

##### **Special Revenue:**

The Road Use Tax Fund is utilized to account for receipt of the allocation from the state of excise taxes on motor fuel and other transportation related sources, to be used for construction, maintenance and supervision of the public streets.

The Library Maintenance Fund was established with Local Option Sales and Service Tax. The fund is used to preserve and maintain the library facility and its functions and equipment as renovated, expanded, established and reopened to the public in 1997.

The Local Option Sales and Service Tax Revenue Fund is utilized to account for the revenues from the State and Local Option Sales and Service Tax and the expenditure of those funds for the specific purpose as set forth in the referendum.

The Employee Benefits Fund is utilized to account for tax receipts expended for employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest, principal and fees on the City's general long-term debt.

The Capital Projects Fund, is used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary fund:

The Sanitary Sewer Fund is used to account for operations of providing sanitary sewer services.

The City also reports the following additional proprietary funds:

The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies of the City on a cost-reimbursement basis.

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2012

#### (1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### D. Significant accounting policies:

The City of Oskaloosa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

##### Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances can be classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

Property Taxes: All City property taxes must be certified to the Mahaska County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2012, attached as an enforceable lien on July 1, 2011, with the first half installment being delinquent after September 30, 2011 and the second half installment being delinquent after March 31, 2012.

Investments: Investments are stated at cost. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool and other debt securities. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2012

### (1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### D. Significant accounting policies - continued:

Proprietary Funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

### (2) BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds combined except for internal service funds. The annual budget may be amended during the year utilizing similar statutory prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities.

Appropriations as adopted or amended lapse at the end of the fiscal year.

### (3) DEPOSITS AND INVESTMENTS

The City's deposit and investment accounts as of June 30, 2012 consist of the following:

Deposit and Investment Type	Investment Maturities (in years)				
	Cost	Less than 1	1 to 5	6 to 10	More than 10
Petty cash	\$ 530	\$ -	\$ -	\$ -	\$ -
Checking, savings and money market	6,630,407	-	-	-	-
Debt securities	1,447,569	-	-	52,100	1,395,469
Iowa Public Agency Investment Trust	2,431,648	-	-	-	-
Total	<u>\$10,510,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,100</u>	<u>\$1,395,469</u>

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2012

#### (3) DEPOSITS AND INVESTMENTS - CONTINUED

Interest rate risk: As a means of limiting its exposure to fair value losses arising from changing interest rates, the City's investment policy requires operating funds to be invested in instruments that mature within three hundred ninety-seven days. Operating funds are defined as funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. All nonoperating funds may be invested in investments with maturities longer than three hundred ninety-seven days.

Authorized investments and credit risk: The City is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; commercial paper or other short-term commercial debt that mature within two hundred and seventy days and meet certain classification ratings; repurchase agreements with collateral consisting of investment obligations of the United States government; open-end management investment companies registered with the federal securities and exchange commission; and certain joint investments trusts. The City has no policy that would further limit its investment choices. The City's investment in the Iowa Public Agency Investment Trust is unrated.

As of June 30, 2012, the City's debt securities were rated as follows:

Investment type	Moody's Investor's Service	Standard & Poor's	Cost	Fair Value
FHLB	Aaa	AA+	\$ 231,700	\$ 286,067
FNMA	Aaa	AA+	245,710	250,948
FHLMC	Aaa	AA+	441,738	457,342
FFCB	Aaa	AA+	294,766	322,381
TVA	Aaa	AA+	233,655	268,696
			<u>\$ 1,447,569</u>	<u>\$ 1,585,434</u>

Concentration of credit risk: The City's general investment policy requires the Treasurer of the City of Oskaloosa to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the investment objectives and to consider the role that each investment or deposit plays within the portfolio of assets of the City. More than 5 percent of the City's investments are in the Iowa Public Agency Investment Trust, FNMA, FHLB, FHLMC, FFCB and TVA. These investments are 63 percent, 6 percent, 6 percent, 11 percent, 8 percent and 6 percent, respectively, of the City's \$3,879,217 total investments. All of the debt securities investments are reported in the Library Maintenance Fund and the Library Memorial Fund, both special revenue funds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2012, the City's investments are held in the City's name. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2012

### (3) DEPOSITS AND INVESTMENTS - CONTINUED

in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2012, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

### (4) LONG-TERM DEBT

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2012:

	Balance June 30, 2011	Issued	Redeemed	Balance June 30, 2012
Governmental Activities				
General obligation bonds	\$ 1,415,000	\$ -	\$ 175,000	\$1,240,000
General obligation notes	4,260,000	-	660,000	3,600,000
	<u>\$ 5,675,000</u>	<u>\$ -</u>	<u>\$ 835,000</u>	<u>\$4,840,000</u>
Business Type Activities				
Revenue bonds and other notes	<u>\$ 4,250,000</u>	<u>\$ -</u>	<u>\$ 552,000</u>	<u>\$3,698,000</u>

Interest rates range from 1.50% to 4.00% on bonds and notes. The City paid \$317,053 in interest on debt obligations for the year ended June 30, 2012.

On June 30, 2012, the general obligation debt issued by the City did not exceed its legal debt margin compiled as follows:

Assessed valuation		<u>\$ 493,923,219</u>
Debt limit - 5% of total valuation		\$ 24,696,161
Debt applicable to debt limit:		
General obligation bonds	\$ 1,240,000	
General obligation notes	<u>3,600,000</u>	<u>4,840,000</u>
Legal debt margin		<u>\$ 19,856,161</u>

A summary of the City's June 30, 2012 general obligation bonds, general obligation notes, revenue bonds and revenue capital loan notes principal and interest maturities is as follows:

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2012

### (4) LONG-TERM DEBT - CONTINUED

Year Ending June 30,	Total General Obligation Bonds		Total General Obligation Notes	
	Principal	Interest	Principal	Interest
2013	\$ 185,000	\$ 46,983	\$ 580,000	\$ 117,410
2014	190,000	40,137	600,000	103,425
2015	205,000	33,108	535,000	87,363
2016	210,000	25,420	220,000	72,253
2017	220,000	17,440	210,000	64,552
2018-2022	230,000	8,970	1,185,000	199,030
2023-2027	-	-	270,000	10,800
Total	<u>\$ 1,240,000</u>	<u>\$ 172,058</u>	<u>\$ 3,600,000</u>	<u>\$ 654,833</u>

Year Ending June 30,	Total General Revenue Bonds		Total Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 189,000	\$ 80,640	\$ 210,000	\$ 30,300	\$ 1,164,000	\$ 275,333
2014	195,000	74,970	217,000	24,000	1,202,000	242,532
2015	201,000	69,120	225,000	17,490	1,166,000	207,081
2016	207,000	63,090	177,000	10,740	814,000	171,503
2017	213,000	56,880	181,000	5,430	824,000	144,302
2018-2022	1,166,000	184,530	-	-	2,581,000	392,530
2023-2027	517,000	23,370	-	-	787,000	34,170
Total	<u>\$ 2,688,000</u>	<u>\$ 552,600</u>	<u>\$ 1,010,000</u>	<u>\$ 87,960</u>	<u>\$ 8,538,000</u>	<u>\$ 1,467,451</u>

The resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. Sufficient monthly transfers shall be made to a sanitary sewer sinking account for the purpose of making the bond principal and interest payments when due.
- C. Sufficient monthly transfers to the sanitary sewer reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of making bond principal and interest payments should there be insufficient funds available in the sinking account. As of June 30, 2012, \$451,934 of cash and investments is in the reserve account.

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2012

#### (4) LONG-TERM DEBT - CONTINUED

- D. The City must establish and maintain a sewer improvements account. Money in the improvement account, not otherwise specifically limited by other provisions, shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the sinking account and the reserve account; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget; payments of rentals on any part of the system or payments due for any property purchased as part of the system and for capital improvements to the system. As of June 30, 2012, \$62,615 of cash and investments is in the improvement account.
- E. All amounts remaining in the sanitary sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sanitary sewer surplus revenue fund. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to make.
- F. The City must maintain net sewer revenues of at least 110 percent of the next fiscal year's debt service payment.

The Iowa Finance Authority loaned the City \$1,515,000 on March 31, 1994; \$2,671,000 on February 16, 1996; and \$4,017,000 on December 6, 2002, which are evidenced by the issue of Sewer Revenue Bonds and Sewer Revenue Capital Loan Notes for the other issues. Principal and interest payments on the Iowa Department of Natural Resources loans are treated as payments on the Revenue Bonds and Notes.

#### Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees and the benefits that would be payable on this liability as of June 30, 2012 primarily relating to the General, Road Use Tax and Sanitary Sewer Funds, is as follows:

Type of Benefit:	
Vacation	\$ 105,000
Sick leave	657,000
Comp time	<u>23,000</u>
Total	<u>\$ 785,000</u>

The liability has been computed based on rates of pay in effect at June 30, 2012.

Sick leave is payable for fire and police union employees when used or upon full service retirement or death. Other union employees are payable upon retirement, 20 years of full time employment or death. Nonunion employees are payable upon twenty years of service or death. If paid upon retirement or death, half or one-quarter of the total accumulated hours are paid at the then effective hourly rate for that employee. Based on this computation, the maximum accumulated sick leave payable would be approximately \$310,000 as of June 30, 2012.

## **CITY OF OSKALOOSA**

### **Notes to Financial Statements - Continued**

June 30, 2012

#### **(5) PENSION AND RETIREMENT SYSTEMS**

Two retirement systems, the Iowa Public Employee Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa are in effect for employees of the City. Each of the systems is required by state law to be funded on an actuarial basis, by contributions sufficient to fully fund benefits being credited. One employee, the City Manager, is not covered by the systems mentioned previously, but is covered under the International City Management Association Retirement Corporation (ICMA). All systems are contributory and all full-time employees must participate in one of the retirement systems.

##### **IPERS:**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular Plan members are required to contribute 5.38 percent of their annual covered salary and the City is required to contribute 8.07 percent of annual covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$115,312, \$104,425 and \$107,589, respectively, which meet the required minimum contribution each year.

##### **Municipal Fire and Police Retirement System of Iowa:**

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Moines, Iowa 50266.

Plan members are required to contribute 9.40 percent of earnable compensation and the City's contribution rate cannot be less than 24.76 percent of earnable compensation for the year ended June 30, 2012. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2012, 2011, and 2010 were \$290,764, \$234,057, and \$189,291, respectively, which met the required contribution for each year.

#### **(6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN**

The City of Oskaloosa, Iowa has a self-insured Health Care Plan for City employees accounted for in the internal service fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual, excluding listed exceptions, in a twelve-month period is \$40,000. The maximum aggregate excess risk insurance is \$1,000,000 per policy period and the maximum specific excess risk insurance per covered person is \$2,000,000 per lifetime.



## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2012

#### (6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN - CONTINUED

As of June 30, 2012, the Plan held \$766,280 in cash and investments. The estimate of the claims liability was \$112,000 for June 30, 2012 and \$126,000 for June 30, 2011, and includes claims reported but not settled and those incurred but not reported. Claim payments, net of Stop-loss reimbursements as of June 30, 2012 and 2011 were \$494,269 and \$472,381, respectively.

The City of Oskaloosa is also exposed to various risks related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### (7) DEFICIT CASH BALANCE

On June 30, 2012, the individual funds with a deficit balance were as follows:

Capital Projects	
Pavement Management	\$ (13,120)
Parking Lot Improvements	(7,325)

This temporary cash shortfall is financed through short-term advances made by other funds within the fund type.

#### (8) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Employee Benefits	\$ 1,051,711
	Emergency	83,841
	Housing	2,175
	2010 Disaster Relief	<u>1,547</u>
		<u>1,139,274</u>
Special Revenue	General Fund	
Miscellaneous Grant Funds		<u>404</u>
Disaster Relief - Floods	Enterprise	
	Airport	921
	Special Revenue	
	Road Use Tax	<u>640</u>
		<u>1,561</u>
Debt Service	Special Revenue	
	Tax Increment Financing	<u>196,077</u>

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2012

### (8) INTERFUND TRANSFERS - CONTINUED

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise Sanitary Sewer	Capital Projects Special Revenue 2010 Disaster Relief	47,291  30,032 <u>77,323</u>
Enterprise Edmundson Golf Course	Special Revenue 2010 Disaster Relief	  6,303 <u>6,303</u>
Internal Service	General Fund	  2,000 <u>2,000</u>
Total		<u>\$ 1,422,942</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### (9) POST-EMPLOYMENT BENEFITS

Employees who resign or their employment is terminated (for reasons other than gross misconduct on their part), or if work hours are reduced, and consequently the employee's dependents are no longer eligible to participate in the group health insurance are offered the following post-employment benefit option:

Health insurance - The option of continuing with the City's health insurance plan at the employee's own cost for up to eighteen months. If the employee is determined to be disabled under the Social Security Act at the time of their termination or reduction in hours, they may be entitled to continuation coverage for up to twenty-nine months.

There are 57 active, 1 COBRA and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self funded plan with stop loss coverage through HCC Life Insurance Company. Retirees under age 65 pay the similar premiums for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go-basis. The most recent active member monthly premiums for the City and plan members are \$580 for single coverage and \$1,394 for family coverage per month. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$814,566 to the plan.

## **CITY OF OSKALOOSA**

### **Notes to Financial Statements - Continued**

June 30, 2012

#### **(9) POST-EMPLOYMENT BENEFITS - CONTINUED**

The City has entered into an agreement with the City Manager which formally indentifies the financial obligation of the City to them in the event of an involuntary employment termination. The severance agreement provides for a termination payment equal to nine months of wages plus nine months of medical insurance benefits. The compensation rate is based upon the compensation paid to the applicable employee at the time of termination.

#### **(10) CONSTRUCTION COMMITMENTS**

The City has several construction commitments to be financed from capital projects funds. The total outstanding construction commitments of the City as of June 30, 2012 is approximately \$1,432,000.

#### **(11) RELATED PARTY TRANSACTIONS**

The City had business transactions between the City and City officials totaling \$10,526 during the year ended June 30, 2012.

#### **(12) SUBSEQUENT EVENTS**

The City has evaluated all subsequent events through October 10, 2012, the date the financial statements were available to be issued.

**City of Oskaloosa**

## **Other Information**

# CITY OF OSKALOOSA

## Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Enterprise Funds Other Information Year ended June 30, 2012

	Governmental Funds Actual	Enterprise Funds Actual	Total	Original
Receipts:				
Property tax	\$ 4,514,541	\$ -	\$ 4,514,541	\$ 4,519,692
Tax increment financing collections	194,310	-	194,310	194,024
Other City tax	1,300,229	-	1,300,229	1,145,482
Licenses and permits	454,865	-	454,865	234,700
Uses of money and property	97,104	245,620	342,724	358,472
Intergovernmental	2,209,250	358,990	2,568,240	4,991,451
Charges for service	139,966	1,924,574	2,064,540	4,182,244
Special assessments	15,310	5,084	20,394	-
Miscellaneous	950,376	42,446	992,822	711,434
Total receipts	9,875,951	2,576,714	12,452,665	16,337,499
Disbursements:				
Public safety	2,580,508	-	2,580,508	2,667,150
Public works	1,176,248	-	1,176,248	1,170,905
Culture and recreation	980,969	-	980,969	1,041,224
Community and economic development	1,275,056	-	1,275,056	2,031,888
General government	700,560	-	700,560	745,464
Debt service	1,024,485	-	1,024,485	1,024,409
Capital projects	1,045,957	-	1,045,957	3,699,083
Business type activities	-	2,422,287	2,422,287	4,939,708
Total disbursements	8,783,783	2,422,287	11,206,070	17,319,831
Excess (deficiency) of receipts over (under) disbursements	1,092,168	154,427	1,246,595	(982,332)
Other financing sources (uses), net	(73,897)	218,329	144,432	2,000
Excess (deficiency) of receipts over (under) disbursements and other financing uses	1,018,271	372,756	1,391,027	(980,332)
Balances beginning of year	6,451,875	1,895,625	8,347,500	7,940,382
Balances end of year	\$ 7,470,146	\$ 2,268,381	\$ 9,738,527	\$ 6,960,050

See accompanying independent auditor's report.

Budgeted Amounts			Final to Actual Variance- Positive (Negative)
Final	Adjustment (1) See Page 40	Adjusted Final	
\$ 4,519,692	\$ -	\$ 4,519,692	\$ (5,151)
194,569	-	194,569	(259)
1,480,108	-	1,480,108	(179,879)
291,810	-	291,810	163,055
349,917	(31,060)	318,857	23,867
3,453,426	(808,348)	2,645,078	(76,838)
4,058,871	(1,974,569)	2,084,302	(19,762)
15,798	-	15,798	4,596
949,870	(4,500)	945,370	47,452
15,314,061	(2,818,477)	12,495,584	(42,919)
2,763,997	-	2,763,997	183,489
1,913,378	-	1,913,378	737,130
1,070,633	-	1,070,633	89,664
2,169,532	(809,794)	1,359,738	84,682
780,286	-	780,286	79,726
1,024,487	-	1,024,487	2
1,667,704	-	1,667,704	621,747
4,865,781	(2,196,032)	2,669,749	247,462
16,255,798	(3,005,826)	13,249,972	2,043,902
(941,737)	187,349	(754,388)	2,000,983
197,544	(55,492)	142,052	2,380
(744,193)	131,857	(612,336)	2,003,363
10,215,909	-	10,215,909	(1,868,409)
\$ 9,471,716	\$ 131,857	\$ 9,603,573	\$ 134,954

## CITY OF OSKALOOSA

### Required Supplemental Information

#### Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2012

The budgetary comparison schedule is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$1,064,033. The budget amendment is reflected in the final budget amount.

- (1) Budgeted items for component units of the Housing Agency and Waterworks utility are removed because related actual receipts and disbursements are not included, see Note 1.



## **Supplementary Information**

# CITY OF OSKALOOSA

## Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Hotel Motel Tax	Emergency	Urban Renewal Tax Increment	Special Housing Donated Funds
Receipts:				
Property tax	\$ -	\$ 81,125	\$ -	\$ -
Tax increment financing	-	-	194,310	-
Other City tax	94,556	2,716	-	-
Use of money and property	-	-	346	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	94,556	83,841	194,656	-
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	94,556	-	-	-
Community and economic development	-	-	-	15,360
General government	-	-	-	-
Total disbursements	94,556	-	-	15,360
Excess (deficiency) of receipts over (under) disbursements	-	83,841	194,656	(15,360)
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	(83,841)	(196,077)	-
Total other financing sources (uses)	-	(83,841)	(196,077)	-
Net change in cash and investment balances	-	-	(1,421)	(15,360)
Cash and investment balances beginning of year	-	-	4,696	50,600
Cash and investment balances end of year	\$ -	\$ -	\$ 3,275	\$ 35,240
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Urban renewal purposes	\$ -	\$ -	\$ 3,275	\$ -
Other purposes	-	-	-	35,240
Total cash basis fund balances	\$ -	\$ -	\$ 3,275	\$ 35,240

See accompanying independent auditor's report.

Revenue						
Housing Fund	Grant & Lincoln School Dev	2010 IFA State Housing	Riefe Memorial Fund	Public Library Memorial	Miscellaneous Gifts	Drug Control Safety Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,229	-	-	171	19,527	101	-
-	-	-	-	-	-	-
2,321	-	-	-	842	-	-
82,541	-	-	-	51,462	3,534	250
86,091	-	-	171	71,831	3,635	250
-	-	-	-	-	4,517	217
-	-	-	-	-	-	-
-	-	-	-	39,336	686	-
116,503	-	8,413	-	-	450	-
-	-	-	-	-	687	-
116,503	-	8,413	-	39,336	6,340	217
(30,412)	-	(8,413)	171	32,495	(2,705)	33
-	-	-	-	1,909	2,400	-
-	-	-	-	-	-	-
(2,175)	-	-	-	-	-	-
(2,175)	-	-	-	1,909	2,400	-
(32,587)	-	(8,413)	171	34,404	(305)	33
234,319	24,509	8,413	67,003	450,656	38,213	56
\$ 201,732	\$ 24,509	\$ -	\$ 67,174	\$ 485,060	\$ 37,908	\$ 89
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
201,732	24,509	-	67,174	485,060	37,908	89
\$ 201,732	\$ 24,509	\$ -	\$ 67,174	\$ 485,060	\$ 37,908	\$ 89

# CITY OF OSKALOOSA

## Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances Nonmajor Governmental Funds - Continued

As of and for the year ended June 30, 2012

	Special Revenue			
	Wooden Playground Maintenance	Police Forfeiture	Miscellaneous Grants	2010 Disaster Relief Floods
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Other City tax	-	-	-	-
Use of money and property	27	21	2	104
Intergovernmental	-	-	37,425	14,904
Charges for services	-	1,022	-	-
Miscellaneous	-	-	10,051	-
Total receipts	27	1,043	47,478	15,008
Disbursements:				
Operating:				
Public safety	-	3,136	29,750	-
Public works	-	-	-	4,721
Culture and recreation	-	-	3,370	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Total disbursements	-	3,136	33,120	4,721
Excess (deficiency) of receipts over (under) disbursements	27	(2,093)	14,358	10,287
Other financing sources (uses):				
Sale of capital assets	-	4,000	-	-
Operating transfers in	-	-	404	1,561
Operating transfers out	-	-	-	(37,882)
Total other financing sources (uses)	-	4,000	404	(36,321)
Net change in cash balances	27	1,907	14,762	(26,034)
Cash and investment balances beginning of year	5,721	4,062	(5,954)	26,034
Cash and investment balances end of year	\$ 5,748	\$ 5,969	\$ 8,808	\$ -
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Urban renewal	\$ -	\$ -	\$ -	\$ -
Other purposes	5,748	5,969	8,808	-
Total cash basis fund balances	\$ 5,748	\$ 5,969	\$ 8,808	\$ -

See accompanying independent auditor's report.

WFP Rise Payment		Total
\$ -	\$	81,125
-		194,310
-		97,272
-		21,528
-		52,329
-		4,185
16,216		164,054
16,216		614,803
-		37,620
-		4,721
-		137,948
16,216		156,942
-		687
16,216		337,918
-		276,885
-		8,309
-		1,965
-		(319,975)
-		(309,701)
-		(32,816)
-		908,328
\$ -	\$	875,512
\$ -	\$	3,275
-		872,237
\$ -	\$	875,512

## CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes  
in Cash and Investment Balances (Deficit)  
Nonmajor Enterprise Funds

As of and for the year ended June 30, 2012

	Airport	Storm Water	Edmundson Golf Course	RACI Main Street Loans	Total
Operating receipts:					
Charges for service	\$ -	\$ 224,929	\$ 39,849	\$ -	\$ 264,778
Use of money and property	202,136	-	36,654	-	238,790
Total operating receipts	202,136	224,929	76,503	-	503,568
Operating disbursements:					
Business type activities	184,755	54,572	90,926	-	330,253
Total operating disbursements	184,755	54,572	90,926	-	330,253
Excess (deficiency) of operating receipts over (under) operating disbursements	17,381	170,357	(14,423)	-	173,315
Non-operating receipts (disbursements):					
Intergovernmental	358,990	-	-	-	358,990
Interest on investments	709	1,636	75	48	2,468
Miscellaneous	14,064	514	18,759	-	33,337
Sale of equipment	-	-	134,475	-	134,475
Capital projects	(301,093)	(25,060)	(7,726)	-	(333,879)
Net non-operating receipts (disbursements)	72,670	(22,910)	145,583	48	195,391
Excess of receipts over disbursements	90,051	147,447	131,160	48	368,706
Other financing (uses):					
Operating transfers in	-	-	6,303	-	6,303
Operating transfers out	(921)	-	-	-	(921)
Total other financing (uses)	(921)	-	6,303	-	5,382
Net change in cash and investment balances	89,130	147,447	137,463	48	374,088
Cash and investment balances (deficits) beginning of year	104,327	368,060	(62,397)	16,167	426,157
Cash and investment balances end of year	<u>\$ 193,457</u>	<u>\$ 515,507</u>	<u>\$ 75,066</u>	<u>\$ 16,215</u>	<u>\$ 800,245</u>
<b>Cash Basis Fund Balances</b>					
Unrestricted	<u>\$ 193,457</u>	<u>\$ 515,507</u>	<u>\$ 75,066</u>	<u>\$ 16,215</u>	<u>\$ 800,245</u>
Total cash basis fund balances	<u>\$ 193,457</u>	<u>\$ 515,507</u>	<u>\$ 75,066</u>	<u>\$ 16,215</u>	<u>\$ 800,245</u>

See accompanying independent auditor's report.

## CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and  
Changes in Cash and Investment Balances  
Internal Service Funds

As of and for the year ended June 30, 2012

	Copier/Fax Revolving	Health Insurance	Flex Benefit Plan	Total
Receipts:				
Use of money and property	\$ -	\$ 2,426	\$ 2	\$ 2,428
Charges for services:				
Premiums	-	834,924	-	834,924
Copier and fax services	4,435	-	-	4,435
Miscellaneous	-	-	564	564
Miscellaneous:				
Sale of supplies	221	-	-	221
Flex elections	-	-	35,421	35,421
Refunds/reimbursements	-	114,451	-	114,451
Total receipts	4,656	951,801	35,987	992,444
Disbursements:				
Nonprogram:				
Contractual and contractual services	-	805,854	35,264	841,118
Commodities	4,686	-	-	4,686
Total disbursements	4,686	805,854	35,264	845,804
Excess (deficiency) of operating receipts over (under) operating disbursements	(30)	145,947	723	146,640
Other financing sources				
Operating transfers in	-	-	2,000	2,000
Net change in cash and investment balances	(30)	145,947	2,723	148,640
Cash and investment balances, beginning of year	84	620,334	2,570	622,988
Cash and investment balances, end of year: unrestricted	\$ 54	\$ 766,281	\$ 5,293	\$ 771,628

See accompanying independent auditor's report.

**CITY OF OSKALOOSA**

Schedule of Cash Receipts, Disbursements  
and Changes in Cash and Investment Balances (Deficit)  
Capital Projects Fund

As of and for the year ended June 30, 2012

	Park Shelter Cap Improvement	City Hall Window Project	Child Care Center	High Avenue West Revitalization	2008 Bond Green St	Pavement Management
Receipts:						
Use of money and property	\$ 4,106	\$ 43	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	4,848	750,000	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total receipts	4,106	43	4,848	750,000	-	-
Disbursements	819	90	4,848	750,000	46,259	13,120
Excess (deficiency) of receipts over (under) disbursements	3,287	(47)	-	-	(46,259)	(13,120)
Other financing sources (uses):						
Sale of capital assets	-	2,195	-	-	-	-
Operating transfers in	-	-	-	-	278,744	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	2,195	-	-	278,744	-
Net change in cash and investment balances	3,287	2,148	-	-	232,485	(13,120)
Cash and investment balances beginning of year	7,440	7,478	-	-	-	-
Cash and investment balances, (deficits) end of year: restricted	\$ 10,727	\$ 9,626	\$ -	\$ -	\$ 232,485	\$ (13,120)

See accompanying independent auditor's report.



Sidewalk Improvement Project	Parking Lot Improvements	Parking Lot Improvements Phase II	North I&M Avenue West Project	2008 G.O. Bond	Intrafund Transfers Elimination	Total
\$ 67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,216
6,000	-	-	111,796	-	-	872,644
1,050	-	-	-	-	-	1,050
3,324	19,605	-	-	-	-	22,929
10,441	19,605	-	111,796	-	-	900,839
9,502	77,866	-	64,539	78,914	-	1,045,957
939	(58,261)	-	47,257	(78,914)	-	(145,118)
-	-	-	-	-	-	2,195
-	50,936	119,772	15,187	62,444	(527,083)	-
-	-	-	(62,444)	(511,930)	527,083	(47,291)
-	50,936	119,772	(47,257)	(449,486)	-	(45,096)
939	(7,325)	119,772	-	(528,400)	-	(190,214)
16,098	-	-	-	1,364,750	-	1,395,766
\$ 17,037	\$ (7,325)	\$ 119,772	\$ -	\$ 836,350	\$ -	\$ 1,205,552

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**CITY OF OSKALOOSA**

## Schedule of Indebtedness

Year ended June 30, 2012

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Ind. Park Street, RR crossings, Downtown Streetscaping	Dec 6, 2006	3.70 - 3.90%	\$ 1,955,000
General Obligation Notes:			
Refunding	Apr 23, 2008	3.20 - 3.30%	\$ 1,065,000
Refunding	Apr 29, 2010	1.50 - 2.00%	1,405,000
Equipment, street and sewer construction	May 1, 2008	3.50 - 4.00%	3,000,000
Revenue Bonds and Other Notes:			
Sewer capital loan notes	Mar 31, 1994	3.00%	\$ 1,515,000
Sewer capital loan notes	Feb 16, 1996	3.00%	2,671,000
Sewer revenue refunding capital loan notes	Nov 27, 2002	N/A	1,585,000
Sewer revenue bonds	Dec 6, 2002	3.00%	4,017,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 1,415,000	\$ -	\$ 175,000	\$ 1,240,000	\$ 53,457	\$ -
\$ 1,415,000	\$ -	\$ 175,000	\$ 1,240,000	\$ 53,457	\$ -
\$ 530,000	\$ -	\$ 190,000	\$ 340,000	\$ 16,948	\$ -
1,125,000	-	290,000	835,000	19,550	-
2,605,000	-	180,000	2,425,000	97,453	-
\$ 4,260,000	\$ -	\$ 660,000	\$ 3,600,000	\$ 133,951	\$ -
\$ 197,000	\$ -	\$ 46,000	\$ 151,000	\$ 5,910	\$ -
1,016,000	-	157,000	859,000	30,480	-
165,000	-	165,000	-	7,095	-
2,872,000	-	184,000	2,688,000	86,160	-
\$ 4,250,000	\$ -	\$ 552,000	\$ 3,698,000	\$ 129,645	\$ -

# CITY OF OSKALOOSA

## Schedule of Bond and Note Maturities

June 30, 2012

Year Ending June 30,	General Obligation Bonds and Notes					
	Refunding		Industrial Park Street		Street, Sewer Improvements	
	General Obligation (Notes)		Railroad Crossings		And Equipment (Notes)	
	Issued April 29, 2010		Downtown Streetscaping		Issued May 1, 2008	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2013	1.50%	\$ 300,000	3.70%	\$ 185,000	3.50%	\$ 175,000
2014	2.00	310,000	3.70	190,000	3.50	175,000
2015	2.00	225,000	3.75	205,000	3.50	190,000
2016	-	-	3.80	210,000	3.50	220,000
2017	-	-	3.85	220,000	3.60	210,000
2018	-	-	3.90	230,000	3.70	215,000
2019	-	-	-	-	3.75	225,000
2020	-	-	-	-	4.00	235,000
2021	-	-	-	-	4.00	250,000
2022	-	-	-	-	4.00	260,000
2023	-	-	-	-	4.00	270,000
Total		<u>\$ 835,000</u>		<u>\$ 1,240,000</u>		<u>\$ 2,425,000</u>

See accompanying independent auditor's report.

Refunding General Obligation (Notes) Issued April 23, 2008		
Interest Rates	Amount	Total
3.20%	\$ 105,000	\$ 765,000
3.25	115,000	790,000
3.30	120,000	740,000
-	-	430,000
-	-	430,000
-	-	445,000
-	-	225,000
-	-	235,000
-	-	250,000
-	-	260,000
-	-	270,000
	<u>\$ 340,000</u>	<u>\$ 4,840,000</u>

**CITY OF OSKALOOSA**

Schedule of Bond and Note Maturities - Continued

June 30, 2012

Revenue Bonds and Notes						
Year Ending June 30,	Sewer Revenue Capital Loan Notes Issued March 31, 1994		Sewer Revenue Capital Loan Notes Issued February 16, 1996		Sewer Revenue Bonds Issued December 6, 2002	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2013	3.00%	\$ 48,000	3.00%	\$ 162,000	3.00%	\$ 189,000
2014	3.00	50,000	3.00	167,000	3.00	195,000
2015	3.00	53,000	3.00	172,000	3.00	201,000
2016	-	-	3.00	177,000	3.00	207,000
2017	-	-	3.00	181,000	3.00	213,000
2018	-	-	-	-	3.00	220,000
2019	-	-	-	-	3.00	226,000
2020	-	-	-	-	3.00	233,000
2021	-	-	-	-	3.00	240,000
2022	-	-	-	-	3.00	247,000
2023	-	-	-	-	3.00	255,000
2024	-	-	-	-	3.00	262,000
Total		<u>\$ 151,000</u>		<u>\$ 859,000</u>		<u>\$ 2,688,000</u>

See accompanying independent auditor's report.

<u>Total</u>	
\$	399,000
	412,000
	426,000
	384,000
	394,000
	220,000
	226,000
	233,000
	240,000
	247,000
	255,000
	<u>262,000</u>
\$	<u><u>3,698,000</u></u>

# CITY OF OSKALOOSA

## Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Years Ended June 30,

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 4,514,541	\$ 4,204,759	\$ 4,014,236	\$ 4,093,455
Other city tax	1,494,539	1,411,707	1,478,999	1,743,709
Licenses and permits	454,865	258,480	238,698	258,457
Use of money and property	97,104	92,202	105,113	223,895
Intergovernmental	2,209,250	1,521,335	2,885,296	1,607,090
Charges for service	139,966	135,086	134,342	142,558
Special assessments	15,310	239,502	3,781	7,095
Miscellaneous	950,376	641,278	667,169	581,313
Total	<u>\$ 9,875,951</u>	<u>\$ 8,504,349</u>	<u>\$ 9,527,634</u>	<u>\$ 8,657,572</u>
Disbursements:				
Operating:				
Public safety	\$ 2,580,508	\$ 2,444,577	\$ 2,297,121	\$ 2,357,418
Public works	1,176,248	1,098,301	1,113,867	1,378,116
Culture and recreation	980,969	1,101,895	1,144,236	1,109,723
Community and economic development	1,275,056	1,252,684	1,346,056	1,616,088
General government	700,560	597,240	640,766	616,803
Debt service	1,024,485	1,142,933	2,566,285	1,398,181
Capital projects	1,045,957	205,535	2,783,553	1,423,322
Total	<u>\$ 8,783,783</u>	<u>\$ 7,843,165</u>	<u>\$11,891,884</u>	<u>\$ 9,899,651</u>

See accompanying independent auditor's report.



2008	2007	2006	2005	2004
\$ 3,966,087	\$ 3,880,396	\$ 3,953,084	\$ 3,635,079	\$ 3,538,506
1,745,001	1,643,292	1,631,480	1,735,966	1,601,922
232,545	229,410	226,789	186,466	171,987
307,762	262,233	201,733	115,941	69,652
1,508,153	1,411,324	1,318,346	1,285,278	1,378,573
153,814	141,263	99,772	44,514	55,510
5,285	6,880	4,547	6,080	8,564
381,549	537,372	550,252	588,255	859,850
<u>\$ 8,300,196</u>	<u>\$ 8,112,170</u>	<u>\$ 7,986,003</u>	<u>\$ 7,597,579</u>	<u>\$ 7,684,564</u>
\$ 2,437,104	\$ 2,213,413	\$ 2,187,115	\$ 2,003,707	\$ 1,845,529
1,252,542	1,051,131	911,216	939,256	977,036
1,010,016	1,020,716	900,014	809,170	830,989
1,674,031	1,658,849	1,584,287	1,586,488	1,429,596
551,333	540,973	530,248	518,914	550,653
2,768,353	1,629,279	1,651,904	1,621,126	1,455,698
1,043,651	479,296	1,499,891	880,326	787,059
<u>\$10,737,030</u>	<u>\$ 8,593,657</u>	<u>\$ 9,264,675</u>	<u>\$ 8,358,987</u>	<u>\$ 7,876,560</u>

## CITY OF OSKALOOSA

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant	14.228	07-CF-014	\$ 4,848
U.S. Department of Transportation:			
Governor's Traffic Safety Bureau:			
Alcohol Incentive Grant	20.601	11-410, TASK 57	5,630
	20.601	12-410, TASK 57	12,617
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-5780(610)-70-62	64,539
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division:			
Public Assistance Grant Program	97.036	FEMA-IA-DR-1930	4,721
Direct:			
U.S. Department of Justice:			
Community Oriented Policing Services:			
Bullet Proof Vest Partnership	16.607	1121-0235	1,564
Office of Juvenile Justice and Delinquency Prevention:			
Drug Endangered Children	16.523	10-DEC-18200	1,823
U.S. Department of Health and Human Services:			
Division of Criminal and Juvenile Justice Planning:			
Juvenile Court Services	16.727	JJYD-F11-08	367
		JJYD-F12-08	946
U.S. Department of Housing and Urban Development:			
Office of Public and Indian Housing:			
Hope VI Main Street Grant	14.878	IA01URD52577M07	750,000
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program Grant	20.106	3-19-0072-07-2011	<u>318,215</u>
Total			<u>\$ 1,165,270</u>

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**CITY OF OSKALOOSA**

Schedule of Expenditures of Federal Awards - Continued

Year ended June 30, 2012

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oskaloosa and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

## CITY OF OSKALOOSA

### Miscellaneous Data (Unaudited)

June 30, 2012

Form of government	Mayor/Council
Area	7.9892 square miles
Building permits, fiscal year ending June 30, 2012	
Permits issued	106
Estimated costs	\$4,473,896
Fire protection:	
Number of stations	1
Number of full-time fire fighters	8
Police protection:	
Number of stations	1
Number of full-time officers	17
Recreation:	
Number of parks	5
Number of acres	205
Number of swimming pools	1
Employees of City as of June 30, 2012	172
Schools:	
Public	3
Parochial	1
Population:	
1900	9,212
1910	9,466
1920	9,427
1930	10,123
1940	11,024
1950	11,124
1960	11,053
1970	11,224
1980	10,989
1990	10,600
2000	10,938
2010	11,525



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**Independent Auditor's Report on Internal Control**  
**Over Financial Reporting and on Compliance and Other Matters**  
**Based on an Audit of Financial Statements Performed in Accordance with**  
**Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Oskaloosa, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 10, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of the City of Oskaloosa is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered the primary government of the City of Oskaloosa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the primary government of the City of Oskaloosa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as items II-A-12 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the primary government of the City of Oskaloosa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance or other matter that is described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the primary government of the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The primary government of the City of Oskaloosa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the City's responses, we did not audit the primary government of the City of Oskaloosa's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oskaloosa and other parties to whom the City of Oskaloosa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oskaloosa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 10, 2012



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### **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council:

We have audited the primary government of the City of Oskaloosa, Iowa's compliance, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Oskaloosa's major federal programs for the year ended June 30, 2012. The primary government of the City of Oskaloosa's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the primary government of the City of Oskaloosa's management. Our responsibility is to express an opinion on the primary government of the City of Oskaloosa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the primary government of the City of Oskaloosa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the primary government of the City of Oskaloosa's compliance with those requirements.

In our opinion, the primary government of the City of Oskaloosa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

#### **Internal Control Over Compliance**

The management of the primary government of the City of Oskaloosa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the primary government of the City of Oskaloosa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the primary government of the City of Oskaloosa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The primary government of the City of Oskaloosa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the City's responses, we did not audit the primary government of the City of Oskaloosa's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oskaloosa and other parties to whom the City of Oskaloosa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 10, 2012



## **CITY OF OSKALOOSA**

### **Schedule of Findings**

Year ended June 30, 2012

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements of the primary government of the City, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting is disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.878 Hope VI Main Street Grant and CFDA Number 20.106 - Airport Improvement Program Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Oskaloosa did not qualify as a low-risk auditee.

## **CITY OF OSKALOOSA**

### **Schedule of Findings - Continued**

Year ended June 30, 2012

#### **Part II: Findings Related to the Financial Statements:**

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

##### **SIGNIFICANT DEFICIENCY:**

II-A-12     Segregation of Duties - A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The three employees in the City Clerk's office collect cash receipts, record collections and maintain custody of collections until deposit. However, when one of the employees is out of office the City is unable to maintain the adequate segregation of duties. As a result, the City has an inadequate segregation of duties over cash receipts.

Recommendation - We recommend segregating the duties of collecting cash receipts and posting them to the general ledger.

Response - This recommendation is accepted. The City will look to realign and reassign duties where practical.

Conclusion - Response accepted.

#### **Part III: Findings for Federal Awards:**

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

##### **INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

## CITY OF OSKALOOSA

### Schedule of Findings - Continued

Year ended June 30, 2012

#### **Part IV Other Findings Related to Required Statutory Reporting:**

- IV-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed amounts budgeted.
- IV-B-12 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.
- IV-D-12 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name	Title	Business Connection	Transaction Description	Amount/ Gross
Gladys Genskow	pool manager	Gensko Distributions	concession supplies	\$ 201
Tom Jimenez	council member	Oskaloosa Quality Rental	rental	9,875
Dan Gallagher	band member		painting	450

Chapter 362.5 of the Code of Iowa prohibits transactions with a city officer that has an interest, direct or indirect, in any contract or job of work material or the profits thereof or services to be furnished or performed for the officer's or employee's city. A contract entered into in violation of this section is void. The provisions of this section do not apply if the purchases benefitting that officer or employee do not exceed a cumulative total purchase price of \$1,500. The majority of the transaction with the council member did not represent a conflict of interest since the work was awarded on a competitive bid process.

- IV-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. The City published the minutes of the Council proceedings as required by Chapter 372.13(6) of the Code of Iowa.
- IV-G-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

## CITY OF OSKALOOSA

### Schedule of Findings - Continued

Year ended June 30, 2012

#### **Part IV: Other Findings Related to Required Statutory Reporting - Continued:**

- IV-H-12 Revenue Bonds - The City established the sinking and reserve accounts required by the sanitary sewer bonds resolution.
- IV-I-12 Payment of General Obligation Bonds - General obligation bond payments were paid from the Debt Service Fund in compliance with Chapter 384.4 of the Code of Iowa.
- IV-J-12 Economic Development - We noted no instances of noncompliance with the public purpose provisions of Chapter 15A of the Code of Iowa pertaining to economic development.
- IV-K-12 Notice of Public Hearing for Public Improvements - We noted no instances of noncompliance with the Chapters 384.102 and 362.3 of the Code of Iowa.
- IV-L-12 Sales Tax - We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- IV-M-12 Financial Condition - The City operates on the basis of cash receipts and cash disbursements; therefore, fund balances are not applicable. However, the following funds had a deficit balance as of June 30, 2012:

#### Capital Projects

Pavement Management	\$ (13,120)
Parking Lot Improvements	(7,325)

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return the funds to sound financial position.

Response - The deficit balance in the pavement management will be eliminated with reimbursement received from the State of Iowa on July 16, 2012. The parking lot improvements will be eliminated by a transfer of funds approved by the City Council on July 16, 2012.

Conclusion - Response accepted.